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Minimum Wages in Grocery Stores

Selected Experiences in New York State

Marketing Economics Research Division
Agricultural Marketing Service
U. S. DEPARTMENT OF AGRICULTURE

PREFACE

Minimum wages established by Government agencies are one of the important institutional factors determining wage levels. Wage rates influence labor costs, and labor costs in turn are an important factor in the price and the quantity of food products sold.

Thirty States, including Alaska, District of Columbia, and Puerto Rico, have some form of legislation providing for the establishment of minimum wage rates in retailing. (Eighty-sixth U. S. Congress, "Hearings Before the Committee on Education and Labor," House of Representatives, 1960, p. 67.) New York is one of these States, and changes in 1957 and 1958 in the level of the legal minimum wage offered an opportunity to observe the significance of and adjustments to this change by selected grocery stores. Although minimum wage legislation is not new, measurement of the effect of such legislation is difficult, partly because each new minimum wage operates in a different environment. The impact of minimum wage legislation depends on the difference between the wage level established by law and the level of wages actually being paid when the minimum goes into effect. Each new minimum wage must be considered separately. This report should be viewed as a pilot study attempting to point out the factors to consider and the techniques to use in analyzing minimum wage legislation. Generalizations from this study to other situations where the changes are more drastic should be made with caution.

This study is part of a broad program of marketing research aimed at improving the efficiency of agricultural marketing and expanding the market for farm products.

The study was performed under contract with the New York State School of Labor and Industrial Relations, Cornell University, Ithaca, N. Y. The project was directed by Robert F. Risley with the assistance of Walter Leibowitz and Antonia Nell. Other staff members from Cornell University who contributed to the work were: Paul Boorman, Robert Sweetall, Robert McCarthy, Ruth Rosenthal, Virginia Rector, Dolores Greenberg, William Roth, John MacKinnon, and Sandra Blanchard.

CONTENTS

	Page
Summary	4
Introduction	5
Background of study	6
The minimum wage order	6
Nature of data	7
Economic characteristics of stores	8
Impact of minimum wage order	10
Change effective February 15, 1957	10
Change effective January 1, 1958	10
Methodology	18
Collecting the data	18
Hypothetical wage rate	18
Commodities priced	19
Store policy	20

November 1960

MINIMUM WAGES IN GROCERY STORES

Selected Experiences in New York State

by Robert F. Risley and Imogene Bright 1/

SUMMARY

In 1953 the State of New York established minimum wages for employees in the retail trade industry, including food retailing. In 1957 and 1958, two changes were made with respect to the wage levels specified in the State wage orders. The first change, effective February 15, 1957, increased the legal minimum wage from 70 cents to $1 an hour in stores located in cities of 10,000 or more and from 65 cents to 90 cents for stores located in cities of less than 10,000 people. The second change, effective January 1, 1958, raised the minimum wage for retail employees from 90 cents to $1 an hour for stores in cities of less than 10,000 and this change also specified that overtime be paid for all hours in excess of 40 per week rather than 45 as had previously been specified.

The purpose of this study has been to observe the effects primarily of the second change in the New York State wage order on labor costs, store margins, and selected operating methods of stores. Information for the study has been obtained from 50 grocery stores, 28 of which are located in communities of less than 10,000--thus falling under provisions of the second wage change--and 22 of which are located in larger communities. Information was obtained from this second group primarily for comparative purposes, since they did not have a wage change required by law during the period when detailed information was obtained. All stores employed one or more persons. Many of the stores in the under 10,000 population group had weekly sales of less than $3,000 and in some cases family labor provided part of the store labor force. For these as well as other reasons the findings of this study are not generally applicable to food retailing in New York or other States, but rather are of an exploratory character suggestive of areas to be examined when evaluating the economic impact of changes in wage rates, particularly in smaller retail food stores.

Records were obtained regularly from each of the 50 stores for the period September 1957--4 months before the second wage order became effective--to October 1958--10 months after this order had become effective.

The principal conclusions of this study are as follows:

1. Half of the 28 stores in communities of less than 10,000 were not affected by the change in the minimum wage from 90 cents to $1 per hour, since all of their employees were receiving hourly wages of at least $1 before it became operative. Of the 14 stores considered to be affected by the wage order, 8 had an increase in payrolls.

1/ Robert F. Risley is Assistant Dean and Professor of Industrial Relations, Cornell University. Imogene Bright is an agricultural economist, Marketing Economics Research Division, Agricultural Marketing Service.

The immediate effect of the January 1958 change was to increase the average hourly labor costs for the 14 affected stores from $1.08 to $1.12, only 3.7 percent, whereas the change in hourly wage rates stipulated by this order represented an increase of about 11 percent in the legal minimum. Little change took place in hourly labor costs in the stores which were unaffected by the law because they were already paying wages higher than the minimum or in the stores in the larger communities to which the second change in the wage order did not apply.

2. Despite the fact that sales declined during much of the period, the new wage order had no significant effect on labor costs shown as a percentage of sales. Over the entire period, labor costs expressed as a percentage of sales tended to decline both in the affected stores and in stores in the larger communities. In the unaffected stores in the smaller communities, labor costs as a percentage of sales increased during the first part of the survey period, but later returned to the level prevailing at the beginning of the study.

3. Average weekly man-hours declined in all three groups of stores during the study, but the decline in the affected stores--14 percent--may be compared with declines of 9 percent in the larger communities and 7 percent in the unaffected stores in the smaller communities.

4. No impact of the wage change was observed on average margins based on 30 items. While the margin increased about 4 percent in the affected stores between August 1957 and September 1958, it increased approximately 6 percent in the stores in the larger communities and 9 percent in the unaffected stores in the smaller communities.

5. Only a few stores reported that they adjusted to the change in the wage order by making economies in the use of labor. Delivery services were eliminated, some changes were made in stock-handling, and some fringe benefits were curtailed.

6. While profits may have been changed in the short run as a result of the wage change, no specific measurement of store profits was undertaken in this study.

INTRODUCTION

Labor costs make up the most important single cost item in the retailing of farm food products. Various factors tend to increase labor cost, one of these factors being increased wage rates. In some States--for example, New York--minimum wage rates for employees engaged in retailing are established legally by wage order boards. In 1957, changes in the minimum wage order applicable to these employees required an increase in the legal wage rate. This study was designed to observe the impact of these wage changes on labor costs, margins, and methods of operation in a limited number of stores in New York State. The wage change primarily considered in this study applied only to stores in communities of less than 10,000 persons. Large stores and the more heavily populated sections of the State are not represented in this sample. Had both large and small communities been included in the study and had large stores been more adequately represented in the sample, the conclusions reached might have been different from those reported in this study.

BACKGROUND OF STUDY

The Minimum Wage Order

The New York State Minimum Wage Order No. 7-A for the retail trade industry, effective December 28, 1953, established three zones within the State with different basic hourly and weekly minimum wage rates and overtime rates applicable to each zone. Under this order, zone 1 was defined as the City of New York. Zone 2 was defined as all other cities, villages, and unincorporated communities having a population of 10,000 or more according to the latest United States census, and the counties of Westchester and Nassau. Zone 3 consisted of the remainder of the State; that is, communities of less than 10,000 outside the counties of Westchester and Nassau.

Following hearings before a Retail Minimum Wage Board in 1956, the industrial commissioner of the State of New York promulgated a revised minimum wage order, No. 7-B, for the retail trade industry, effective February 15, 1957. In addition to various substantive changes made in the order, the definitions of the zones were revised. Under the new order, zone 1 was defined as "All cities, villages, and unincorporated communities, having a population of 10,000 or more according to the latest United States census, and the counties of Nassau, Suffolk, and Westchester." Zone 2 was defined as " . . . the remainder of the State . . . " which was to " . . . continue until January 1, 1958, and thereafter the rates established for zone 1 shall be paid throughout the State." 2/ The effect of Order No. 7-B was to eliminate, over a period of time, the different zones within the State and the wage differentials associated with the zones. This was accomplished by merging zones 1 and 2 of Order 7-A to form a new zone 1 and converting old zone 3 into a new zone 2 which was finally combined with the others on January 1, 1958, after which a single Statewide minimum wage has prevailed. 3/

The 1957 New York State Minimum Wage Order No. 7-B for the Retail Trade Industry contained, among others, the following changes in the provisions of Order No. 7-A:

1. The minimum wage rate was increased from $0.70 per hour to $1 per hour in all communities having a population of 10,000 or more (new zone 1) effective February 15, 1957. The minimum wage rate was increased from $0.65 per hour to $0.90 per hour in all communities having a population under 10,000 (new zone 2) effective February 15, 1957, and to $1 per hour effective January 1, 1958.

2. In all communities having a population of 10,000 or more, employees working between 30 and 37.5 hours per week must be paid at least $37.50 per week except in the case of voluntary absence. In communities having a population of less than 10,000, employees working between 30 and 37.5 hours per week must be paid a weekly minimum of $33.75 for that week effective February 15, 1957, and a minimum of $37.50 effective January 1, 1958. This new weekly guarantee provision of Order 7-B reduces the number of hours stipulated in Order 7-A which stated that "for working time in each week in excess of 30 hours but not more than 40 hours . . ." the employee must be paid for 40 hours at the applicable minimum rate.

2/ New York State Department of Labor. Minimum Wage Order No. 7-B for the Retail Trade Industry, 1957. P. 1.

3/ Zones referred to in this study are referred to by original zone numbers.

3. The minimum overtime rate in communities having a population of 10,000 or more became $1.50, or 1 1/2 times the minimum wage, for all hours over 40 hours, effective February 15, 1957. In communities having a population under 10,000, the minimum overtime rate became $1.35 for all hours over 45 effective February 15, 1957, and $1.50 for all hours over 40 effective January 1, 1958. The only changes in this provision from that of Order 7-A are the increases in the minimum hourly wage rate for straight time and the elimination of the 45-hour standard workweek for old zone 3. In both orders, overtime is paid for at 1 1/2 times the applicable straight-time minimum wage rate.

4. Order No. 7-A required that, "An employee, who by request or permission of the employer reports for duty on any day shall be paid for at least four hours at the applicable minimum wage rate." This provision did not apply to any employee who was not available for 4 hours assigned by the employer. The new order, No. 7-B, provides that any employee reporting for work must be paid a daily minimum wage corresponding to 4 hours' pay at the going minimum wage rate, with the exceptions of full-time students on days when school is in session and employees of an establishment which is open for fewer than 4 hours in a day. In the latter case, the employee must be paid at the minimum rate for the hours during which the store is open.

5. Under the terms of Order No. 7-B, an employee must be paid for 1 additional hour at the minimum hourly rate for any day in which a spread of hours exceeds 10 or in which there is a split shift or in which both situations occur, with the exception of students whose hours of school attendance intervene between work shifts. The old order, No. 7-A, specified a spread of hours greater than 11 as the requisite for the additional hour's pay.

Although it is not stated explicitly in the order, it is evident that each provision need not be met individually. As long as the employee is paid a total wage equal to the amount that he must receive if each hour were paid at the applicable minimum rate, no violation of the order exists. Hence, it is not necessary that overtime or split-shift hours be paid for as such.

Nature of Data

Fifty stores provided data for this study. Data on all items were obtained during the entire course of the survey from 44 stores. 4/

During the course of the survey, seven interviews, each pertaining to 1 week's operation were held with a representative of each store. The weeks studied were: August 19-24, 1957; September 29 to October 5, 1957; December 1-7, 1957; January 15-21, 1958; February 10-15, 1958; March 9-15, 1958; and September 28 to October 4, 1958. In the tables, these weeks are referred to by the month in which they occurred.

4/ Six stores were omitted because they did not provide all data requested: Four stores did not provide payroll data; one store did not provide prices for computing margins; and one store did not provide sales data.

Economic Characteristics of Stores

Included in the survey were 22 stores located in 4 communities having populations over 10,000 and 28 stores located in 14 communities under 10,000. As can be seen in table 1, no very large cities were included. In selecting the specific communities to be included in the survey, the most important criterion was that the percentage change in county retail sales from 1948 to 1954 should approximate the change for the zone in which the county was situated. 5/ Communities were selected from 10 counties.

The stores in zone 3 were grouped according to whether or not they were affected by the new minimum wage order No. 7-B. Affected stores were those for which two conditions were met: First, at least one employee in the store was receiving a wage lower than the new minimum before the change; and second, the employer stated that the reason for altering wage rates or scheduled hours of work was the new minimum wage order.

Table 1.--Population and number of grocery stores included in survey, New York State, 1957-58

Community	Population 1/	Number of stores
Over 10,000 (zone 2):		
Binghamton	80,674	8
Cortland	19,500	6
Oneonta	14,300	6
Newark	2/ 7,995	2
Under 10,000 (zone 3):		
Elmira Heights	5,009	1
Horseheads	3,606	2
Van Etten	504	1
Norwich	8,816	8
Homer	3,244	1
Medina	6,179	2
Hector	90	1
Mecklenburg	200	1
Montour Falls	1,457	2
Odessa	526	3
Watkins Glen	3,052	1
Candor	802	1
Owego	5,350	2
Penn Yan	5,481	2

1/ Census of Population, 1950.

2/ Because of 2,300 inmates of the Newark State School, this community was considered as being in zone 2 for the application of the minimum wage order.

5/ Retail sales volume reported by the Censuses of Business, 1948 and 1954.

Sales Size and Employment

Because the study pertained to changes in the wage order applicable to smaller communities, primarily smaller stores were included. The stores in the larger communities were substantially different from the stores in communities of less than 10,000. Average sales and employment per store were larger in zone 2 than in zone 3 (table 2 and fig. 1). Average weekly sales amounted to about $6,000 in zone 2 and about $2,600 in zone 3. Stores in zone 2 averaged six employees, and those in zone 3 averaged two or three employees. Within zone 3 (the communities of less than 10,000), the affected stores averaged one more employee than the unaffected stores, but there was no substantial difference in weekly sales.

Table 2.--Sales and employment of selected grocery stores, New York State, December 1957

Item	Zone 2	Zone 3	
		Affected by wage order	Unaffected by wage order
Number of stores 1/	21	12	11
Weekly sales:			
Range	$1,000-22,982	$700-9,201	$423-7,755
Average	6,029	2,584	2,581
Number of employees:			
Range	1-30	1-7	1-7
Average	6	3	2

1/ Data lacking for 6 stores: 5 in zone 3 (2 affected and 3 unaffected); 1 in zone 2.

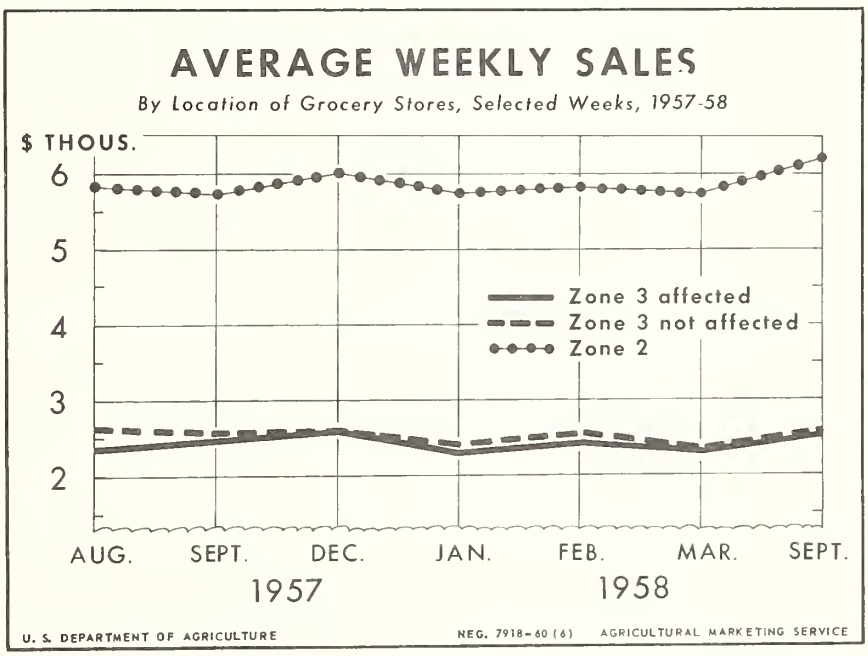

Figure 1

Labor Cost

Hourly labor cost in the stores in zone 2 averaged $1.26 in the week of December 1957, selected for study before the January 1, 1958, change; in zone 3, the average hourly labor cost was $1.08 for the affected stores and $1.24 for the unaffected stores.

The average weekly payroll for stores in zone 2 was $297; in zone 3, the affected stores had a payroll of $122, the unaffected stores $107.

Labor cost amounted to 3.9 percent of sales for the stores in zone 2, 5.2 percent for the affected stores in zone 3, and 4.6 percent for unaffected stores in zone 3, based on data for December 1957.

Margins

A margin, or the difference between the purchase price and the selling price of foods, was developed for each store from unweighted averages of the margins for as many of the 30 selected items as were present in each store's stock. 6/ Expressed as a percentage of the selling price, this margin averaged 19.4 percent for each of the groups of stores in December 1957. The range in margins for each of these groups was as follows: Zone 2, 16.5-23.4 percent; zone 3 affected by the wage order, 16.0-22.4; zone 3 unaffected, 15.5-23.0.

IMPACT OF MINIMUM WAGE ORDER

Change Effective February 15, 1957

Effective February 15, 1957, the minimum wage order provided that retail employees in cities of over 10,000 be paid at least $1 an hour and in cities of less than 10,000 at least 90 cents. For the larger cities the minimum had previously been 70 cents and for the smaller communities 65 cents.

There were 22 stores in the survey to which the new minimum of $1 applied; 7 of these stores were affected. Of these 7 stores, 2 reorganized staff to avoid additional payroll cost due to the minimum.

There were 28 stores in the survey (zone 3) for which the retail minimum was increased from 65 cents to 90 cents. Nine of the 28 stores were affected by the wage order. One other store should have been affected, but as it directly violated the order it was included as one of the unaffected stores.

Since the case study was not begun until August 1957, it was not possible to study the direct results of this first change in the wage order.

Change Effective January 1, 1958

Effective January 1, 1958, the New York State minimum wage order provided that stores in zone 3 pay minimum hourly rates of $1, correspondingly increase all premiums based upon the minimum, and pay overtime after 40 hours rather than 45. The wage order had previously permitted 90 cents an hour. The change in the order,

6/ See section on methodology for discussion of commodities priced.

therefore, required an 11-percent increase in wage rates for all employees paid at the legal minimum. Not all employees were affected by this change because some were paid more than the minimum required by law. The survey included 28 stores in communities to which the change in the order pertained; 14 of these stores were affected in that they had at least one employee who received wages lower than the new minimum in the period prior to the change. The following discussion will cover changes associated with the new order during the first month and changes taking place through September 1958.

Effect on Payrolls

Payrolls in 8 of the 14 affected stores increased between the December and January weekly periods. Five stores reported fewer man-hours and three reported fewer employees.

Of the 13 unaffected zone 3 stores which reported data on payrolls for the December and January weeks, only 1 reported increased payrolls; 3 of these stores reported a reduction in payrolls.

For the eight affected stores which reported increased payrolls, the increase averaged about $6.25, or about 6 percent of the payrolls of these particular stores. The increase in payrolls amounted to about 0.2 percent of sales for these stores.

For the longer period from December 1957 to September 1958, seven stores had higher payrolls. Four stores had an increase in September over the January week. For the entire group of affected stores, payrolls increased slightly in January but by September 1958 were about 5 percent lower than in December 1957. Although part of the increases could be attributed to the wage order, other changes not attributed to the wage order offset much of the increase (table 3).

It was observed that of the 14 stores not affected by the wage order because no employees were paid less than the minimum, 5 had lower payrolls in the September 1958 week than in the December week, and 5 had lower payrolls than in the January week. For the whole group, payrolls in September had declined about 10 percent from the December period.

Only stores in zone 2, the larger communities, increased payrolls over the 9-month period December 1957 to September 1958.

Table 3.--Average percentage change in payrolls, 14 grocery stores affected by minimum wage order, from December 1957 to specified dates

Date 1/	Net changes	Changes attributed to wage order	Changes not attributed to wage order
	Percent	Percent	Percent
January 1958 . . .	1.06	2.74	-1.68
February 1958 . .	3.80	2.99	.81
March 1958	1.06	3.36	-2.30
September 1958 .	-4.92	2.68	-7.60

1/ One week during specified months.

Effect on Man-Hours

The immediate effects on man-hours were that 5 of the 14 affected stores reported fewer man-hours worked in the January week than in the December week. One store manager stated that he adjusted to the wage order primarily by changing hours. For this store there was a 4.5-percent reduction in man-hours worked in the first period following the order. For the entire group of affected stores, there was a reduction of 2.8 percent in man-hours worked for the same period (table 4).

Table 4.--Average weekly man-hours, selected grocery stores in New York State, 1957-58

Date 1/	Zone 2	Zone 3	
		Affected by wage order	Unaffected by wage order
	Man-hours	Man-hours	Man-hours
August 1957	235.9	111.0	81.9
September 1957	224.1	109.0	81.9
December 1957	208.0	104.8	83.5
January 1958	214.0	101.8	82.5
February 1958	206.2	104.8	81.7
March 1958	202.5	104.1	76.3
September 1958	215.6	95.9	76.4
August 1957 = 100	Percent	Percent	Percent
August 1957	100	100	100
September 1957	95	98	100
December 1957	88	94	102
January 1958	91	92	101
February 1958	87	94	100
March 1958	86	94	93
September 1958	91	86	93

1/ One week during specified months.

From the December 1957 week to the September 1958 week, it was found that 9 of the 14 affected stores had reduced weekly man-hours; 3 stores increased man-hours. From January to September, 7 stores reduced man-hours. For only those stores reducing man-hours, the average reduction amounted to about 10.8 man-hours per week from December to January and about 18.8 man-hours from January to September.

Five of the unaffected stores in the smaller communities also reduced weekly man-hours in the September week below the December week, and five reduced man-hours below the January week. The average reduction for only those stores reducing hours amounted to about 20.6 man-hours per week from December to January and about 19 man-hours from December to September.

Most of the stores in the larger communities (zone 2), which were not affected by this change in the wage order, increased man-hours in both January and September over December. The average increase in man-hours amounted to about 6 man-hours in January and 7.6 in September.

Over the entire period of the survey, it can be observed that average weekly man-hours declined for each group of stores. 7/ The greatest decline occurred in the affected stores.

Effect on Labor Cost

Average hourly labor cost for affected stores rose after the January 1, 1958, provisions of the wage order went into effect (table 5). The average for the group increased from $1.08 in December to $1.12 in January, or 3.7 percent. Of the 14 affected stores, 11 had an increase in average hourly labor cost from the December week to the January week, 2 stores showed no increase, and 1 reported a decline. The store reporting a decline reduced employment.

Table 5.--Average hourly labor cost, selected grocery stores in New York State, 1957-58

Date 1/	Zone 2	Zone 3	
		Affected by wage order	Unaffected by wage order
	Dollars	Dollars	Dollars
August 1957	1.26	1.07	1.24
September 1957	1.25	1.07	1.23
December 1957	1.26	1.08	1.24
January 1958	1.27	1.12	1.24
February 1958	1.26	1.12	1.24
March 1958	1.26	1.13	1.25
September 1958	1.30	1.12	1.25

1/ One week during specified months.

In the stores which were not covered by this change in the order (zone 2), the average hourly labor cost increased about 0.8 percent. Two stores in this group had higher average hourly labor cost. For the stores in zone 3 that were unaffected by the change in the wage order the cost remained constant for this period. The affected stores were, then, the only stores to have significant changes in average hourly wage rates in the first month.

Labor cost as a percentage of sales increased during this short-term period for all groups of stores, but the increase was most marked in the unaffected stores (table 6 and fig. 2).

In the affected stores the important change in labor costs occurred immediately after the change in the legal minimum went into effect. Costs increased slightly in March 1958, but by September 1958 they had resumed the level observed in January, which for the group as a whole was 3.7 percent higher than in December (fig. 3).

7/ An analysis of variance indicated there was no significant difference in man-hours worked between zone 3 stores affected by the wage order and those not affected by the change.

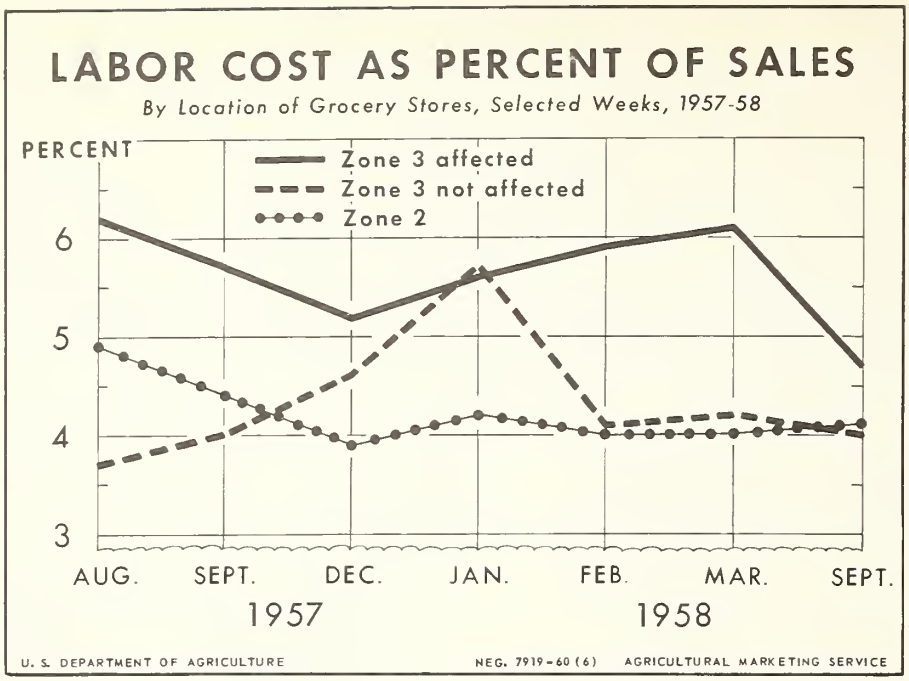

Figure 2

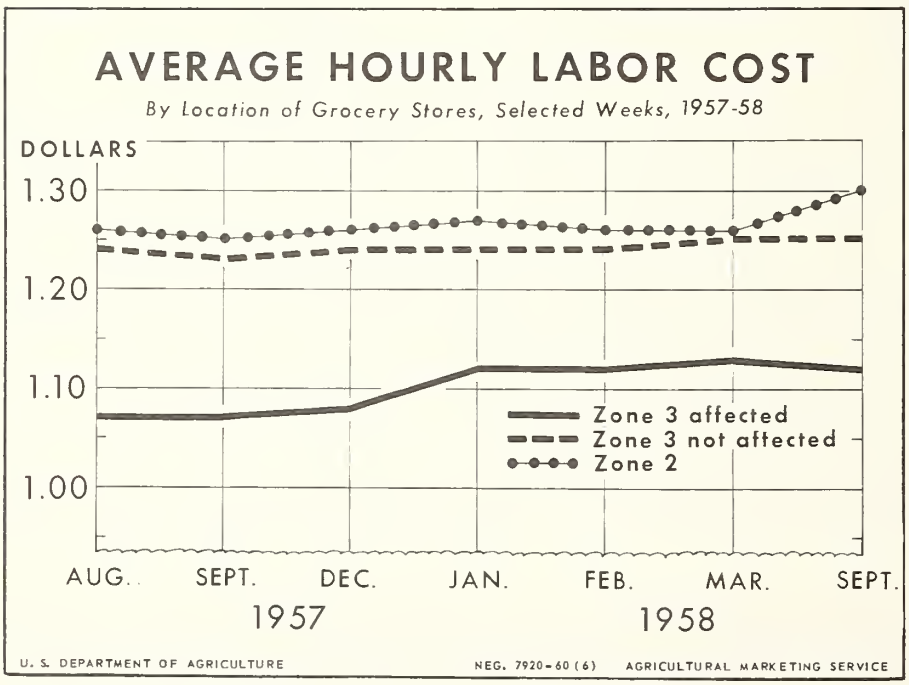

Figure 3

Table 6.--Labor cost as percentage of sales, selected grocery stores in New York State, 1957-58

Date 1/	Zone 2	Zone 3	
		Affected by wage order	Unaffected by wage order
	Percent	Percent	Percent
August 1957	4.9	6.2	3.7
September 1957	4.4	5.7	4.0
December 1957	3.9	5.1	4.6
January 1958	4.2	5.6	5.7
February 1958	4.0	5.9	4.1
March 1958	4.0	6.1	4.2
September 1958	4.1	4.7	4.0

1/ One week during specified months.

In the unaffected stores, average hourly labor costs, which had always been higher than in the affected stores, remained at about the same level, with an 0.8-percent increase in the last two periods.

The stores in the larger communities (which were not covered by the January 1, 1958, change in the legal minimum), while having the highest average hourly labor cost of all three groups of stores, maintained about the same level of labor cost until September, when they experienced a 3.2-percent increase. This change was the consequence of collective bargaining agreements in these stores.

Labor cost as a percentage of sales was lower in the September period than it had been in the January period for each group of stores, although it remained higher for the zone 3 affected stores than for either of the other two groups of stores.

Effect on Margins

Average store margins based on 30 items were computed for the three groups of stores over the entire period of the study.

Margins for the zone 2 stores and the affected stores increased slightly between December and January. The unaffected stores had a slight reduction in margins (table 7).

From August to March the unaffected zone 3 stores increased margins the least of the three groups, but their increase from March to September was sufficient to make their margins the highest (table 7 and fig. 4). The stores in zone 2 and the unaffected stores showed repeated increases in the average store margin, and both of these groups over the entire period had a larger increase than the affected stores. The zone 2 stores, however, reported the lowest margin for the September 1958 survey week. 8/

8/ An analysis of variance indicated there was no significant difference in average store margins between the zone 3 stores affected by the order and those not affected by the change.

Table 7.--Average percentage margins in selected grocery stores in New York State, 1957-58 1/

Date	Zone 2	Zone 3	
		Affected by wage order	Unaffected by wage order
	Percent	Percent	Percent
August 1957	18.6	19.1	19.2
September 1957	19.2	19.4	19.3
December 1957	19.4	19.4	19.4
January 1958	19.9	19.9	19.2
February 1958	19.8	19.9	19.4
March 1958	20.4	19.9	19.6
September 1958	19.7	19.8	20.9

1/ These margins are unweighted averages for 30 food items (listed on page 19) and have been computed by expressing the selling price minus the buying price as a percentage of the selling price for each store.

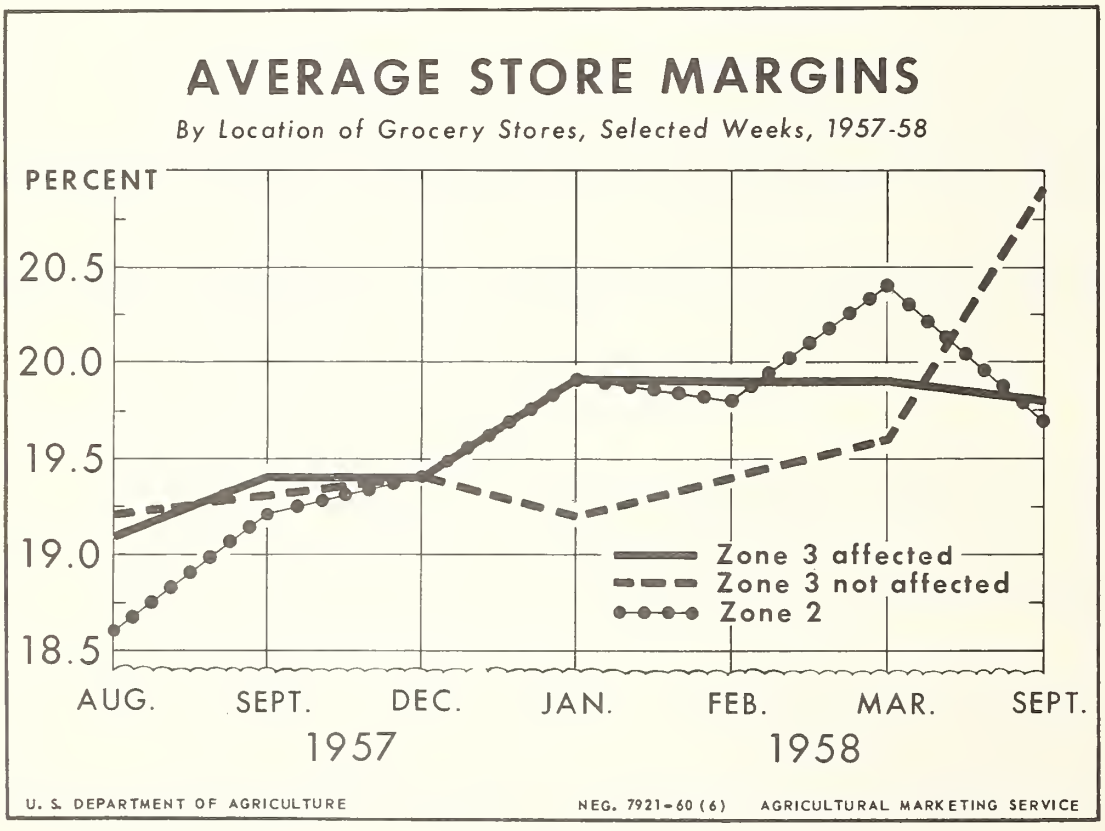

Figure 4

The farm-to-retail price spread for the farm food market basket increased about 0.7 percent from December 1957 to September 1958. During this same period the retail cost of the farm food market basket increased about 0.4 percent. 9/

Other Changes and Adjustments

Over the period August through December 1957, average sales for the affected stores increased (table 8). Sales declined in January but recovered substantially by September 1958. The unaffected group exhibited a slight sales drop from August through December 1957 and a substantial drop in January; there was some recovery in February and September, although sales never reached the August 1957 level.

Hours worked in both zone 2 and affected stores decreased during the first three periods despite increasing sales. The unaffected stores, with slightly decreasing sales, held man-hours steady during August and September and in December slightly increased man-hours although the increase in sales in December over September was slight.

Table 8.--Average weekly sales, selected grocery stores in New York State, 1957-58

Date 1/	Zone 2	Zone 3	
		Affected by wage order	Unaffected by wage order
	Dollars	Dollars	Dollars
August 1957	5,828	2,396	2,638
September 1957	5,763	2,498	2,575
December 1957	6,029	2,584	2,581
January 1958	5,762	2,336	2,403
February 1958	5,816	2,462	2,548
March 1958	5,787	2,337	2,341
September 1958	6,207	2,529	2,574
August 1957 = 100	Percent	Percent	Percent
August 1957	100	100	100
September 1957	98	104	98
December 1957	103	108	98
January 1958	99	97	91
February 1958	100	103	96
March 1958	99	98	89
September 1958	106	106	98

1/ One week during specified months.

9/ The farm food market basket "includes the estimated quantities of farm food products bought for consumption at home per urban wage-earner and clerical-worker family in 1952. It does not include imported or nonfarm foods such as bananas, pineapple, coffee, and fish. It does not include foods purchased in the form of restaurant meals. Therefore, expenditures for food in this market basket do not represent all expenditures for food made by these families." See Farm-Retail Spreads for Food Products, U. S. Dept. Agr. Misc. Pub. 741, 1957, p. 72.

In the periods following the January 1958 change, man-hours in the affected group were less sensitive to change in sales volume than in the unaffected stores, except for the final period. Explanations for this may be use of family labor, lower management efficiency, or inability to adjust employee load capacity because of the nature of operations in the affected group. Since the unaffected stores show lower man-hours for roughly the same sales volume, it would appear that the unaffected stores used more family labor than the affected group or were more efficient.

Very few stores reported that they adjusted to the change in the order by making economies in use of labor. Delivery services to customers were eliminated, and some changes were made in stock handling. Changes in personnel policies were largely curtailments of fringe benefits such as contributions to group hospitalization insurance.

The major effect of the minimum wage order upon employers appears to have been increased costs except when adjustments in employment were made. Adjustments were not normally made in services or nonrevenue operations.

METHODOLOGY

Collecting the Data

Seven interviews were conducted with store managers and owners over a 14-month period. These interviews followed as closely upon the payroll periods for which information was desired as could be scheduled. Typically, interviews were held within 2 weeks after the relevant payroll period ended. When it was necessary to return to the store a second time in order to hold the interview, no more than 1 month was permitted to elapse between the visits. In every instance, the source of payroll data, sales volume data, and buying prices was store records. Selling prices were obtained from the shelf price signs or from prices marked on the items. The dates of the payroll periods are as follows: August 19 to August 24, 1957; September 29 to October 5, 1957; December 1 to December 7, 1957; January 15 to January 21, 1958; February 10 to February 15, 1958; March 9 to March 15, 1958; and September 28 to October 4, 1958. As is obvious from the dates presented, three of these payroll periods occurred after the first step of the new Minimum Wage Order (7-B) went into effect and the remaining four took place after the second step became effective.

At each interview, the store manager or owner was requested to provide a list of the store's employees and information regarding their occupational subgroups, sex, and employment status (full or part time, permanent or temporary, and student or nonstudent). Also requested were the daily hours for each employee, as this information is related to the call-in, overtime, spread-of-hours, and weekly guarantee provisions of the Minimum Wage Order. This composition of hours was not obtained on the first two interviews, but it can be inferred from the third interview.

Hypothetical Wage Rate

A hypothetical legal hourly wage rate was computed in order to ascertain at what minimum wage rate each employee's actual gross weekly earnings would be just sufficient to meet the provisions of the hypothetical minimum wage law. It was assumed that the penalty provisions of the hypothetical and actual existing minimum wage laws were identical. The hypothetical legal wage rate was computed on the basis of these assumptions and the inferred composition of hours worked by the employee. For purposes of determining whether a store was affected by the minimum wage order, the hypothetical wage was computed; this rate also provided a measure of the extent to which the store was affected by the legal minimum.

As an example, if an employee in zone 2 were to work a 48-hour week, each day beyond 4 hours and only one day beyond 10 hours, he would have to be paid the equivalent of the sum of 40 hours at the minimum rate, 8 hours at 1 1/2 times the minimum rate, and 1 hour in addition at the minimum rate, or a total of 53 hours at the minimum, according to the law. For the purposes of the law, the employer need not specifically pay premium rates for the overtime hours or penalty rates for the long day, provided that the total weekly gross earnings of the employee are equal to 53 hours at the minimum rate. If this employee's actual weekly earnings were $60.00, then his hypothetical legal wage rate would be $1.13. If the actual legal wage rate were above this level, the employer would have to alter the employee's hours of work or wage rate in order to comply with the law.

Using this measure, a weighted average hypothetical legal wage rate was computed for all stores for which the actual composition of hours for the first two payroll periods had been obtained. The computation was repeated, substituting the actual composition of hours for the inferred composition. The difference between the two weighted averages was not significant at the 5 percent level of significance, indicating that the errors in the inferred compositions were substantially compensatory.

Commodities Priced

The interviewers also collected the buying and selling prices of 30 foods selected by the Department of Agriculture in order to compute a retail margin. The items selected for pricing included perishable as well as nonperishable items, although meat products were limited to uniform items for which variations in quality and cut would be minimized, and very seasonal fruit and vegetable products were excluded. Four-fifths of the foods were similar to those included in the consumer price index for food as computed by the Bureau of Labor Statistics; the other six items represented "luxury type" food products. The items selected for pricing were as follows:

Corn flakes
Cake mix, angel food
Rolled oats

Eggs, large, white, Grade A
Fresh:
- White potatoes, #1 Maine
- Sweet potatoes, Red
- Carrots, packaged

Frozen:
- Orange juice, concentrated
- Asparagus tips
- Peas

Canned:
- Corn, fresh vacuum packed
- Peas, mixed sweet
- Pork and beans
- Asparagus spears, all green
- Tomato juice

Milk, fresh, homogenized, paper container
Cheese, Blue
Butter
Ice cream, paper package

Deviled ham

Frankfurters, all meat
Canned meat
Dried chipped beef
Vienna sausage
Bacon

Margarine, colored
Lard, packaged

Sugar, white, granulated
Strawberry preserves

Dried beans

Wherever possible, the brands of these items remained identical throughout the survey period and the unit of measurement was held constant for each store. It was further attempted to hold the brand and size of items constant for all 50 stores, but this was not always possible. Prices were not necessarily comparable among stores. Although the brand and size of the commodity were always narrowly specified, differences in brand existed and this may account for a portion of the price differences. This is not as great a distortion as it might seem, as the interviewers always attempted to select roughly comparable brands (nationally advertised brands, brand names of buying units, or regionally noted brands). When a store did not carry the specified size, the interviewer selected a size approximating that designated. Again, the distortion is not as great as could be expected. Size was held constant for each store, and, as the focus of this survey is on relative movements rather than the absolute margins or prices themselves, price differences because of discrepancies in the size of any item among stores do not significantly influence conclusions drawn on the basis of percentage margin data.

Store Policy

Information was gathered regarding personnel policies and customer services. Costs of fringe benefits such as Old-Age and Survivors' Insurance, workman's compensation, sick leave, and disability insurance were also investigated, but as few stores maintained records of these costs and some were unwilling to release the information, the data did not warrant analysis.

At the first interview, owners and managers responded to questions as to what wage increases had been granted between October 1956 and August 1957. However, they were not asked how many workers were hired or fired or what changes in hiring rate had occurred in the same period. Therefore, it was not possible to develop, in retrospect, the payroll prior to the first step in the new minimum wage order with accuracy. For this reason, no general conclusions were drawn concerning the impact of the February 1957 change upon the grocery stores included in the study. Information was acquired regarding changes in store operations affecting customer services, personnel, purchasing, plant and equipment, and other subjects for the period between October 1956 and August 1957 and for periods intervening between August 1957 and September 1958.

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